

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 FEA-01

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P 091111Z APR 75

FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC PRIORITY 3288

INFO AMEMBASSY BANGKOK

LIMITED OFFICIAL USE VIENTIANE 2476

E.O. 11652: N/A

TAGS: ECON, LA

SUBJ: WEEKLY ECONOMIC SITUATION REPORT

1. TOTAL FOREIGN EXCHANGE SOLD THROUGH BANKS DURING WEEK ENDING APRIL 4 WAS \$354,000. AS COMPARED TO THE PREVIOUS WEEKLY AVERAGE OF \$482,000. LOW LEVEL OF SALES DUE TO LACK OF APPROVALS BY FOREIGN EXCHANGE AUTHORIZING COMMISSION, INITIALLY IN ANTICIPATION OF DEVALUATION AND THEN PENDING ISSUANCE OF OPERATIONAL INSTRUCTIONS BY NATIONAL BANK OF LAOS TO FEAC AND COMMERCIAL BANKS. OF FX SOLD, 97 PERCENT WAS FOR PETROLEUM PRODUCTS, ALL AT THE FORMER RATE OF 840 KIP PER DOLLAR CLEARING UP A GOOD PART OF BACKLOG OF PETROLEUM PRODUCT APPLICATIONS FOR POL IMPORTED PRIOR TO MARCH 31 DEVALUATION.

2. THE FREE MARKET RATE INCREASED SIGNIFICANTLY DURING PAST WEEK, PROBABLY REFLECTING CONTINUING UNCERTAINTY IN BUSINESS COMMUNITY OVER DETAILS OF IMPLEMENTATION OF DEVALUATION AND LOW LEVEL OF FX APPROVALS BY FEAC.

ON APRIL 8 MERCHANTS AND OTHER FX DEALERS WERE BUYING DOLLARS FOR APPROXIMATELY 1,540 KIP PER DOLLAR AND

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SELLING FOR 1,575 KIP, UP FROM 1,430 KIP BUYING AND 1,450

KIP SELLING ON APRIL 1. BAHT WAS BEING BOUGHT FOR 7,600
KIP PER 100 BAHT, SELLING FOR 7,810 KIP PER 100 BAHT.

3. USAID COST-OF-LIVING INDEX INCREASED SIGNIFICANTLY
(3.6 PERCENT) DURING PAST WEEK, REFLECTING PRIMARILY
INITIAL PRICE INCREASES RESULTING FROM MARCH 31
DEVALUATION. INCREASES WERE RECORDED IN PRICES OF
CONDENSED MILK, SUGAR, CHICKEN, FISH, EGGS, CERTAIN
FRUITS AND VEGETABLES, COFFEE, GLUTINOUS RICE AND
PETROLEUM PRODUCTS. USAID INDEX ON APRIL 7 SHOWED
FOLLOWING INCREASES:

	PERCENTAGE CHANGE SINCE	
	MAR 31	END CY 74
GENERAL INDEX	3.6	10.6
RICE INDEX	3.0	13.3
NON-RICE INDEX	3.8	10.0

4. BEGINNING ON APRIL 2 AND 3 PRIMARY GRADE SCHOOL
TEACHERS IN SCHOOL DISTRICT COVERING NORTHERN
HALF OF VIENTIANE (VIENTIANE NORTH, REPORTEDLY
INCLUDING APPROXIMATELY 700 TEACHERS) WENT ON STRIKE,
JOINING PRIMARY TEACHERS FROM VIENTIANE SCHOOL WHO WENT
ON STRIKE APRIL 1 (SEE VIENTIANE 2315). LOCAL PRESS ON
APRIL 8; STATED THAT STRIKE HAS SPREAD TO SEVERAL OTHER
PROVINCES INCLUDING SAVANNAKHET, HOUA KHONG, AND
SITHONDONE.

XAT LAOGN LOCAL LANGUAGE NEWSPAPER,
REPORTED THAT TEACHERS WERE NOT SATISFIED WITH
RESPONSE BY MINISTRY OF NATIONAL EDUCATION (MOE) TO THEIR
DEMANDS

AND WOULD CONTINUE THEIR WORK STOPPAGE. AN
MOE SPOKESMAN STATED THAT SINCE THE MINISTRY HAD MADE
EVERY EFFORT TO SOLVE STRIKE, AND TEACHERS REFUSED
MINISTRY'S PROPOSALS, THE MATTER WAS BEYOND JURISDIC-
TION OF MOE. SITUATION IS STILL UNRESOLVED, THOUGH ON
APRIL 7 AND 8 REPORTEDLY 30 TO 40 PERCENT OF TEACHERS
RETURNED TO WORK, MOST PROBABLY IN RESPONSE TO MOE
REQUEST THAT TEACHERS RESUME WORK ON APRIL 7. STRIKE
TO DATE HAS BEEN EXTREMELY PEACEFUL, AND HAS NOT LED TO
ANY RALLIES, PUBLIC PROTESTS, OR OTHER TYPES OF
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DEMONSTRATIONS.

5. PGNU ON APRIL 3 ANNOUNCED PRICE INCREASES FOR PETROLEUM
LUBRICANTS, THUS COMPLETING THE ACROSS-THE-BOARD
PRICE INCREASES FOR PETROLEUM PRODUCTS
ANNOUNCED MARCH 31 IN CONJUNCTION WITH EXCHANGE
REFORM (VIENTIANE 2315). PRICE INCREASES FOR LUBRICANTS
RANGED FROM 23 TO 61 PERCENT.

6. IN ORDER TO MITIGATE POSSIBLE ECONOMIC IMPACT OF DEVALUATION UPON POPULATION, NATIONAL CABINET DECIDED TO REDUCE SALE PRICE OF RICE BEING PROVIDED BY NORTH VIETNAM GOVERNMENT AND SOLD TO PUBLIC THROUGH OFFICIAL OUTLETS (VIENTIANE 1588). RETAIL PRICE WAS LOWERED ON APRIL 4 FROM 19,500 KIP PER 100 KILOS TO 15,000 KIPGM

7. THE MINISTRY OF ECONOMY AND PLAN ON APRIL 4 HAS ISSUED A SPECIAL AUTHORIZATION FOR EXPORT OF LUMBER, IN ACCORDANCE WITH MAR 19 CABINET DECISION (SEE VIENTIANE 2131). AUTHORIZATION IS LIMITED TO PERIOD APRIL THROUGH JUNE. THE NEW PROVISIONS HAVE ESTABLISHED A SPECIAL COMMISSON, WITH REPRESENTATIVES FROM VARIOUS GOVERNMENTAL AND NON-GOVERNMENTAL ORGANIZATIONS WHICH WILL BE TASKED WITH CONTROL AND VERIFICATION OF EXPORTS.

8. MINISTRY OF FINANCE ON APR 7 ISSUED INSTRUCTIONS TO COMMERCIAL BANKS AND NOTICE TO THE PUBLIC CONCERNING IMPLEMENTATION OF NEW FOREIGN EXCHANGE SYSTEM, WHICH SUPPLEMENT MAR 31 MINISTRY OF FINANCE COMMUNIQUE (TOAID A-89). (DETAILS BEING FORWARDED SEPTTEL.) ACCORDINGLY, COMMERCIAL BANKS AND FOREIGN EXCHANGE AUTHORIZING COMMISSION HAVE STARTED TO PROCESS CC2 FX APPLICATIONS AT THE 1,200 KIP RATE.

9. DECONTROL FOLLOWING 4/9/76.
WHITEHOUSE

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